

WASHINGTON CITY, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2006

WASHINGTON CITY, UTAH

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Year Ended June 30, 2006

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council

Washington City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, on our consideration of Washington City, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Washington City, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILSON & COMPANY
Certified Public Accountants

January 12, 2007
Cedar City, Utah

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Washington City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. Please read this discussion and analysis in conjunction with the City's financial statements.

PURPOSE OF REPORT

This annual report consists of a series of financial statements, which follow uniform governmental accounting, financial and auditing standards. The Statement of Net Assets and the Statement of Activities on pages 15 and 16 through 17 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements show how the City is financed in the short term as well as what remains for future spending. The Statement of Revenues, Expenditures and Charges in Fund Balances reports the City's operations in more detail by providing information about the City's most significant funds. The remaining statement provides information about activities for which the City acts solely as an agent for the benefit of those outside the government.

FINANCIAL HIGHLIGHTS

The City's total net assets at the close of the fiscal year totaled \$90,346,426 which represents an increase of 44.7% over the prior year. This is primarily due to contribution of infrastructure with the development of subdivisions, completion of Washington Parkway, and line extensions for water, sewer, storm water, and the electrical system.

The City's restricted and unrestricted assets increased more than 21.7% over the prior year. This is due to investing in items such as future system infrastructure, acquisition of a new cemetery site, future road construction projects, construction of a community center, trail extensions and development of the Green Spring park.

Washington City's governmental funds reported a combined ending fund balance of \$18,402,024 at June 30, 2006, a \$3,893,202 change from the previous year.

At June 30, 2006, unrestricted fund balance of the general fund was \$897,037 or 15% percent of the total general fund expenditures for the year and may be used to meet the City's ongoing obligations.

The City's total long-term debt increased \$440,682 from \$33,589,346 to \$34,030,028. This change reflects debt service payments totaling \$1,139,318, the City paying off the balance of the 1994 Golf Course bond (1,715,000) and the issuance of \$3,295,000 in general obligation bonds for the Coral Canyon Special Service District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Washington City's basic financial statements. The basic financial statements are comprised of the government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include a statement of net assets and a statement of activities that provide a City-wide perspective of the City's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

Statement of Net Assets- The statement of net assets presents information on all of Washington City's assets and liabilities. The difference between assets and liabilities represents the City's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

Statement of Activities- The statement of activities presents information reflecting how Washington City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Washington City include general government, public safety, streets and highways, parks cemetery and public property, culture and recreation, community and economic development, and interest and fiscal charges. The business-type activities include water, sewer, power, golf course, irrigation and storm drain funds.

The government-wide financial statements can be found on pages 15-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes three types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the City's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the City's programs.

Reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 19 of this report.

The City has identified two of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on 58-64 of this report.

Proprietary funds - Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its six business-type activities.

Three of the City's enterprise funds qualify as major funds. The remaining three funds are classified as non-major funds and are included in the combining statements on page 65-67 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 25-56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. The City's total net assets, assets in excess of liabilities, totaled \$90,346,426.

WASHINGTON CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	21,874,035	16,690,694	24,468,569	21,678,876	46,342,604	38,369,570
Capital assets	37,137,379	28,498,640	46,645,280	34,195,302	83,782,659	62,693,942
Total assets	59,011,414	45,189,334	71,113,849	55,874,178	130,125,263	101,063,512
Long-term Liabilities outstanding	15,918,000	12,503,000	18,112,028	20,503,229	34,030,028	33,006,229
Other liabilities	3,838,070	3,046,285	1,910,741	2,589,897	5,748,811	5,636,182
Total liabilities	19,756,070	15,549,285	20,022,769	23,093,126	39,778,839	38,642,411
Net assets:						
Invested in cap. assets, net of debt	21,219,379	15,435,640	28,417,704	13,533,933	49,637,083	28,969,573
Restricted	5,464,207	8,339,467	14,906,337	17,639,893	20,370,544	25,979,360
Unrestricted	12,571,758	5,864,942	7,767,040	1,607,226	20,338,798	7,472,168
Total net assets	39,255,344	29,640,049	51,091,081	32,781,052	90,346,425	62,421,101

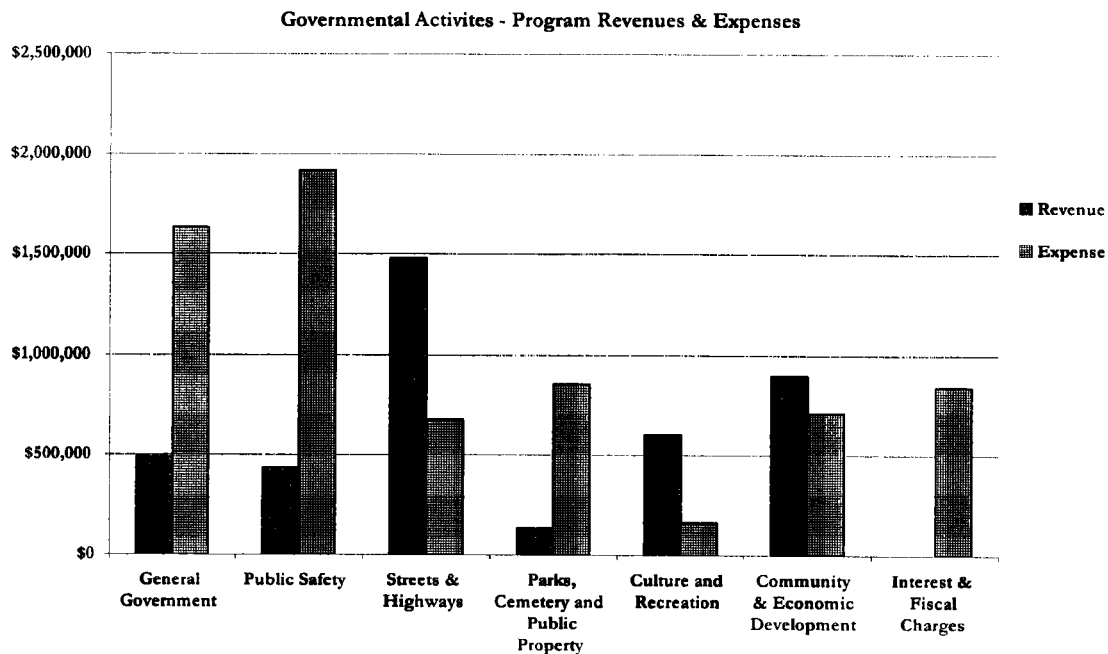
A portion of the City's net assets (23%) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance \$20,338,798 may be used to meet the ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City was able to report positive balances in both categories of net assets for the government as a whole.

CHANGES IN WASHINGTON CITY'S NET ASSETS

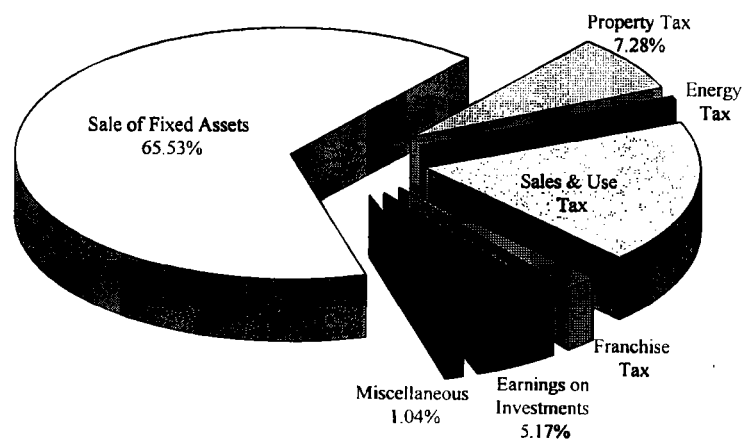
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	1,794,153	1,883,173	12,700,510	11,392,920	14,494,663	13,276,093
Operating grants and contributions	75,047	26,636	-	-	75,047	26,636
Capital grants and contributions	2,178,148	4,847,933	10,211,147	10,114,920	12,389,295	14,962,853
General revenues						
Property taxes	1,359,497	1,149,368			1,359,497	1,149,368
Other taxes	3,915,513	3,081,005			3,915,513	3,081,005
Earnings on investments	966,049	328,129	839,660	487,171	1,805,709	815,300
Other revenues	194,203	17,407		-	194,203	17,407
Gain (loss) on sale disposal of assets	12,233,603		16,474	64,135	12,250,077	64,135
Total revenues	22,716,213	11,333,651	23,767,791	22,059,146	46,484,004	33,392,797
Expenses:						
General government	1,634,397	1,460,320			1,634,397	1,460,320
Public Safety	1,917,238	1,012,512			1,917,238	1,012,512
Highways & streets	680,921	94,359			680,921	94,359
Parks, cemetery and public property	858,145	1,474,144			858,145	1,474,144
Culture & recreation	164,139	152,510			164,139	152,510
Community and economic development	713,085	599,620			713,085	599,620
Interest and fiscal charges	844,174	739,336			844,174	739,336
Water fund			2,146,324	2,322,414	2,146,324	2,322,414
Sewer fund			2,368,347	3,086,534	2,368,347	3,086,534
Electric utility system			5,566,268	4,718,004	5,566,268	4,718,004
Golf course			1,474,111	1,204,815	1,474,111	1,204,815
Irrigation			29,302	36,731	29,302	36,731
Storm drain			164,220	270,160	164,220	270,160
Internal debt service			-	-	-	-
Total expenses	6,812,099	5,532,801	11,748,572	11,638,657	18,560,671	17,171,458
Increase in net assets before transfers	15,904,114	5,800,850	12,019,219	10,420,489	27,923,333	16,221,339
Transfers	(6,288,821)	170,943	6,288,820	(170,943)	(1)	-
Increase in net assets	9,615,293	5,971,793	18,308,039	10,249,546	27,923,332	16,221,339

Governmental Activities -The following chart displays the governmental activities expenses compared to the program revenues attributed to the activity. Traditionally, governmental activities are funded by general revenue sources and not charges for direct services.

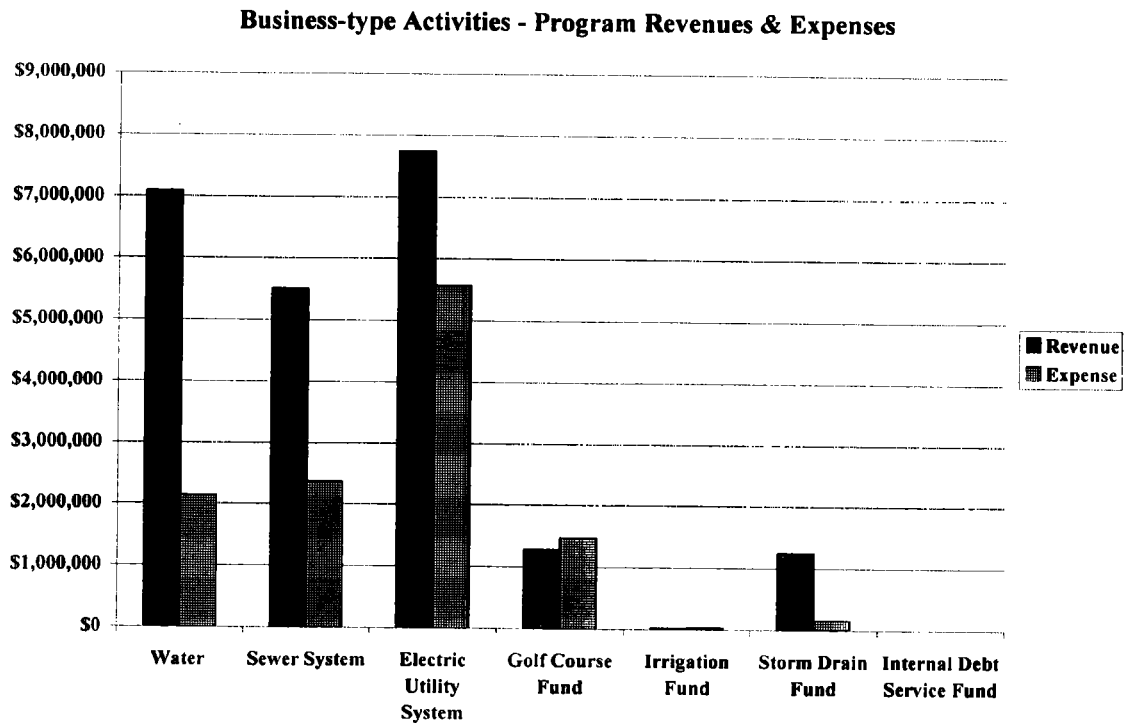


The following chart displays the major sources of governmental activity revenue. Taxes account for 92% of revenue that funds governmental activities.

Revenue by Source - Governmental Activities



Business-type Activities –The following chart displays business-type activities compared to program expenses attributed to the activity. Traditionally business-type activities are self supporting and are generally funded by charges for services. 100% of revenues for business-type activities come from charges for services.



GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the City's governmental funds provide a short-term perspective of the City's general government operations and the financial resources available in the near future to finance the City's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

As of June 30, 2006, the City's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$18,402,204. This combined balance represents an increase of \$3,893,202 over last year's ending fund balances.

The general fund is the main operating fund of the City. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the City may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The fund balance of the general fund increased \$124,622 from \$1,199,994 to \$1,324,616 during the fiscal year ending June 30, 2006. The \$1,324,616 fund balance represents approximately 15 percent of budgeted revenues for the fiscal year ending June 30, 2007. State law requires municipalities maintain a fund balance between 5 and 18 percent of the subsequent year's budgeted revenue.

Taxes are the largest source of revenues to the general fund representing approximately 65 percent of general fund revenues. Sales tax revenues account for approximately 71 percent of all of the tax revenues generated in the general fund. Property taxes generated about 22 percent of the tax revenues.

PROPRIETARY FUNDS FINANCIAL ANALYSIS

Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its seven business-type activities. The Major Proprietary Funds are comprised of the Water fund, Sewer fund, Electric fund and Internal Debt Service fund. The three funds that make up the Non-major Proprietary Funds are the Irrigation fund, Storm Drain fund and Golf Course fund.

During the 2006 fiscal year, the City took \$5,000,000 from the proceeds of the sale of surplus land and created a new proprietary fund called the Internal Service fund. The fund was created for the purpose of using internal funds to loan to City departments for projects within the City. The existence of this fund will allow us to internally loan money without the cost of outside institutional funding.

Water Fund

As of June 30, 2006, the City's Water fund had a total of \$18,562,225 in net assets. This represents an increase of \$4,917,992 over last year's ending net assets.

Sewer Fund

As of June 30, 2006, the City's Sewer fund had a total of \$10,425,489 in net assets. This represents an increase of \$3,085,823 over last year's ending net assets.

Electric Fund

As of June 30, 2006, the City's Electric fund had a total of \$12,070,977 in net assets. This represents an increase of \$2,291,025 over last year's ending net assets.

Internal Debt Service Fund

As of June 30, 2006, the City's Internal Debt Service fund had a total of \$5,046,350 in net assets.

Non-major Proprietary Funds

As of June 30, 2006, the City's non-major proprietary funds, which include the Irrigation fund, Storm Drain fund and Golf Course fund, report combined net assets of \$4,986,040. This combined balance represents an increase of \$2,968,840 over last year's ending net asset totals.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2006 originally adopted budget for the general fund totaled \$8,379,363. The City Council authorized a budget opening in February 2006 to account for the sales of surplus property. This sale resulted in an increase in General Fund revenues of \$12,490,376. This budget opening also made an adjustment to the General Fund expenditure in the amount of \$12,490,376 to maintain the balance of the General Fund. Of this \$283,213 was used to increase the budgets of the City Manager, Human Resource, Police, Animal Control and Park Services departments. Additionally the following transfers occurred: \$5,557,163 transfer to Capital Project Fund, \$1,650,000 transfer to golf course (for payoff of golf bond), and \$5,000,000 to the Internal Service Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the City had invested \$83,782,659 net of accumulated depreciation, in capital assets for its governmental and business-type activities.

WASHINGTON CITY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and water rights	\$ 1,200,767	\$ 1,463,638	\$ 2,664,405
Buildings & Structures	5,850,497	439,129	6,289,626
Improvements		36,941,515	36,941,515
Infrastructure	24,538,988		24,538,988
Machinery & equipment	439,832	628,160	1,067,992
Automobiles & trucks	1,175,486	669,667	1,845,153
Construction in progress	3,931,809	6,503,171	10,434,980
Total	<u>\$37,137,379</u>	<u>\$46,645,280</u>	<u>\$ 83,782,659</u>

Capital asset acquisitions and projects costing \$50,000 or more during the current fiscal year included:

- \$7,441,826 in new street infrastructure; \$3,977,919 by private development of subdivisions and \$3,463,907 funded by department expenditures.
- \$1,212,339 for the construction of infrastructure in the Power department; \$546,181 was funded by private development of subdivisions and \$666,158 funded by department expenditures.
- \$2,182,218 for the construction of infrastructure in the Sewer department; \$1,441,082 was funded by private development of subdivisions and \$741,136 funded by department expenditures.
- \$1,615,292 for the construction of infrastructure in the Storm Drain department; \$818,214 funded by private development of subdivisions and \$797,078 funded by department expenditures.
- \$3,507,240 for the construction of infrastructure in the Water department; \$1,829,346 funded by private development of subdivisions and 1,677,894 funded by department expenditures.
- \$154,492 for improvements to the Water Treatment Plant.
- \$68,475 for improvements to the Sullivan Well.
- \$50,277 for improvements to the Golf Course.
- 50,758 for improvements to the city yard.
- \$271,179 for water right acquisition.
- \$80,351 in improvements to the baseball fields.
- \$211,767 for Millcreek Trail phase I.

Additional information regarding the City's capital assets can be found in the footnotes to the financial statements.

Long-term debt

At June 30, 2006, the City had total debt outstanding of \$34,145,575. Of this amount, \$9,900,000 is considered general obligation debt related to the Coral Canyon Special Service District. Capital Lease obligations totaled \$115,547. The remaining debt of \$24,130,028 is secured by future cash flows from specific revenue sources.

WASHINGTON CITY'S OUTSTANDING DEBT 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General obligation bonds	\$ 9,900,000	
Sales tax revenue bonds	4,780,000	
Municipal Building Authority:		
Lease revenue bonds	1,238,000	
Revenue bonds		\$18,112,028
Capital leases		115,547
Total	<u>\$15,918,000</u>	<u>\$18,227,575</u>

During the fiscal year, the City issued the following bonds totaling \$3,295,000:

- \$3,295,000 General Obligation Bond – Coral Canyon Special Service District

It is also worth noting that the City paid off the 1994 Golf Course Refunding Bond. State statute limits the amount of debt a city may issue to four percent of the fair market value of the taxable property within the city's jurisdiction. An additional eight percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the city. The current limitation for the City is approximately \$124,561,704 comprised of \$41,520,568 for the four percent and \$83,041,136 for the additional eight percent. In any case, the City's outstanding debt is significantly below the statutory debt limits.

Additional information on the outstanding debt of the City is located in the footnotes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Washington City is the second largest city, in Washington County and has experienced an estimated residential growth rate of 8.14 percent during the fiscal year ending June 30, 2006. This city has experience an average residential growth rate of 12.10% over the past 5 years and with the amount of available land for residential and commercial development and with improvements to the city infrastructure, Washington City expects to maintain this level of growth over the next few years.

The table below gives a good illustration of the growth in residential and commercial culinary water connections from August 1996 to August 2006.

MONTH	RESIDENTIAL			COMMERCIAL		
	TOTAL NO. CONNECTIONS	ANNUAL GROWTH RATE		TOTAL NO. CONNECTIONS	ANNUAL GROWTH RATE	
Aug-96	2761	1995-1996	8.3%	84	1995-1996	20.5%
Aug-97	2931	1996-1997	6.2%	99	1996-1997	17.8%
Aug-98	3064	1997-1998	4.5%	101	1997-1998	2.0%
Aug-99	3158	1998-1999	3.1%	105	1998-1999	3.9%
Aug-00	3391	1999-2000	7.4%	130	1999-2000	23.8%
Jul-01	3616	2000-2001	6.6%	136	2000-2001	4.6%
Aug-02	4165	2001-2002	15.2%	146	2001-2002	7.4%
Aug-03	4553	2002-2003	9.3%	202	2002-2003	38.3%
Aug-04	5356	2003-2004	17.6%	217	2003-2004	7.4%
Aug-05	5891	2004-2005	10.3%	219	2004-2005	0.92%
Aug-06	6370	2005-2006	8.14%	216	2005-2006	-1.3%

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the City's finances and demonstrate accountability for the sources and uses of City funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Budget Officer, Washington City, 111 North 100 East, Washington, Utah, 84780.

BASIC FINANCIAL STATEMENTS

WASHINGTON CITY
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets:			
Cash & cash equivalents	\$ 20,369,213	\$ 22,948,208	\$ 43,317,421
Accounts receivable	147,899	1,334,766	1,482,665
Pre-paid expenses	906,819	185,596	1,092,415
Property tax receivable	450,104		450,104
Construction in progress	3,931,809	6,503,171	10,434,980
Capital assets, net of accumulated depreciation	<u>33,205,570</u>	<u>40,142,109</u>	<u>73,347,679</u>
Total assets	<u>59,011,414</u>	<u>71,113,849</u>	<u>130,125,263</u>
Liabilities and Net Assets			
Liabilities :			
Cash with negative balances	30,363	745,555	775,918
Accounts payable	2,064,337	-	2,064,337
Payroll taxes payable	19,588		19,588
Sales tax payable		27,917	27,917
Compensated absences payable	137,760	139,516	277,276
Deposits payable		167,134	167,134
Accrued interest payable	228,299	147,350	375,649
Other payables	799		799
Capital lease obligations payable - current	-	57,571	57,571
Capital lease obligations payable - long term	-	57,976	57,976
Deferred revenue	450,104	351,045	801,149
Deferred revenue - property taxes	906,819		906,819
Bond premium		216,677	216,677
Bonds payable (net of discount)			
Portion due within one year	460,000	736,655	1,196,655
Portion due after one year	<u>15,458,000</u>	<u>17,375,373</u>	<u>32,833,373</u>
Total liabilities	<u>19,756,070</u>	<u>20,022,769</u>	<u>39,778,838</u>
Net Assets:			
Invested in capital assets, net of related debt	21,219,379	28,417,704	49,637,084
Restricted for:			
Debt service	707,754	4,739,645	5,447,399
Other purposes	4,756,453	10,166,692	14,923,145
Unrestricted	<u>12,571,758</u>	<u>7,767,040</u>	<u>20,338,798</u>
Total net assets	<u>\$ 39,255,344</u>	<u>\$ 51,091,081</u>	<u>\$ 90,346,426</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Statement of Activities
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,634,397	\$ 489,152	\$ -	\$ -	\$ (1,145,245)
Public safety	1,917,238	255,838	62,720	117,700	(1,480,980)
Streets & highways	680,921			1,480,280	799,359
Parks, cemetery, and public property	858,145	39,040	12,327	84,963	(721,815)
Culture & recreation	164,139	110,168		495,205	441,234
Community & economic development	713,085	899,955			186,870
Interest and fiscal charges	844,174				(844,174)
Total governmental activities	6,812,099	1,794,153	75,047	2,178,148	(2,764,751)
Business-type activities:					
Water	2,146,324	2,653,560		4,437,163	4,944,398
Sewer system	2,368,347	2,525,374		2,985,025	3,142,051
Electric utility system	5,566,268	5,986,761		1,766,606	2,187,099
Golf course fund	1,474,111	1,282,972		-	(191,139)
Irrigation fund	29,302	25,024		-	(4,278)
Storm drain fund	164,220	226,819		1,022,354	1,084,953
Internal debt service	-	-			-
Total business-type activities	11,748,572	12,700,510	-	10,211,147	11,163,084
Total government	\$ 18,560,672	\$ 14,494,663	\$ 75,047	\$ 12,389,295	\$ 8,398,333

(Continued on page 17)

WASHINGTON CITY
Statement of Activities
Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue from previous page	\$ (2,764,751)	\$ 11,163,084	\$ 8,398,333
General revenues:			
Taxes:			
Property taxes, levied for general purposes	1,359,497		1,359,497
General sales and use taxes	3,495,648		3,495,648
Energy sales tax	74,461		74,461
Franchise tax	345,404		345,404
Earnings on investments	966,049	839,661	1,805,710
Miscellaneous	194,203		194,203
Gain (loss) on sale/disposal of assets	12,233,603	16,474	12,250,077
Operating transfers	(6,288,821)	6,288,820	-
Total general revenues and transfers	12,380,044	7,144,955	19,524,999
Increase in net assets	9,615,293	18,308,039	27,923,332
Net assets - beginning	29,640,052	32,783,042	62,423,094
Net assets - ending	\$ 39,255,344	\$ 51,091,081	\$ 90,346,426

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

WASHINGTON CITY
Balance Sheet
Governmental Funds
June 30, 2006

	General	Park Property	Coral Canyon Special Service District	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash & cash equivalents	\$ 3,361,837	\$ 6,300,600	\$ 170,334	\$ 10,536,442	\$ 20,369,213
Special assessments receivable					-
Other receivables	47,504		-	100,395	147,899
Total assets	<u>\$ 3,409,341</u>	<u>\$ 6,300,600</u>	<u>\$ 170,334</u>	<u>\$ 10,636,837</u>	<u>\$ 20,517,112</u>
Liabilities:					
Cash with negative balances	\$ -	\$ -	\$ -	\$ 30,363	\$ 30,363
Accounts payable	2,064,337				2,064,337
Payroll taxes payable	19,588				19,588
Wages payable	-				-
Other payables	799				799
Deferred revenue					-
Total liabilities	<u>2,084,725</u>	<u>-</u>	<u>-</u>	<u>30,363</u>	<u>2,115,088</u>
Fund balances:					
Reserved	427,579	6,300,600	170,334	10,606,474	17,504,987
Unreserved, undesignated	897,037	-	-		897,037
Total fund balances	1,324,616	6,300,600	170,334	10,606,474	18,402,024
Total liabilities and fund balances	<u>\$ 3,409,341</u>	<u>\$ 6,300,600</u>	<u>\$ 170,334</u>	<u>\$ 10,636,837</u>	<u>\$ 20,517,112</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 18,402,024
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$37,033,410 and the accumulated depreciation is \$3,827,840.	33,205,570
Construction in progress of long-term assets	3,931,809
Long-term Obligations	(16,284,059)
Total net assets - governmental activities	<u>\$ 39,255,344</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	<u>General</u>	<u>Park Property</u>	<u>Coral Canyon Special Service District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property taxes, levied for general purposes	\$ 1,066,466	\$ -	\$ 293,031	\$ -	\$ 1,359,497
General sales & use	3,495,648				3,495,648
Energy sales tax	74,461				74,461
Franchise tax	345,404				345,404
Earnings on investments	435,484	33,481	6,156	490,927	966,048
Licenses and permits	978,559				978,559
Intergovernmental revenues	546,640				546,640
Charges for services	555,032				555,032
Fines and forfeitures	227,928				227,928
Miscellaneous	12,420,420	12,327	57,043	1,677,204	14,166,994
Total revenues	<u>20,146,042</u>	<u>45,808</u>	<u>356,231</u>	<u>2,168,131</u>	<u>22,716,211</u>
EXPENDITURES:					
General government	1,567,325				1,567,325
Public safety	1,945,484				1,945,484
Streets & highways	705,498				705,498
Parks, cemetery, and public property	704,662				704,662
Culture & recreation	164,139				164,139
Community & economic development	723,229				723,229
Capital outlay		1,192,355	3,126,699	4,443,864	8,762,918
Debt service:					
Principal retirements	206,000			234,000	440,000
Interest and fiscal charges	215,745		516,191	83,998	815,934
Total expenditures	<u>6,232,082</u>	<u>1,192,355</u>	<u>3,642,890</u>	<u>4,761,863</u>	<u>15,829,189</u>
Excess of revenues over (under) expenditures	13,913,961	(1,146,546)	(3,286,659)	(2,593,732)	6,887,022
OTHER FINANCING SOURCES (USES):					
Debt proceeds			3,295,000		3,295,000
Operating transfers in	1,415,524	6,138,911		2,273,258	9,827,693
Operating transfers out	(15,204,862)			(911,652)	(16,116,514)
Sale of fixed assets					
Total other financing sources (uses)	<u>(13,789,339)</u>	<u>6,138,911</u>	<u>3,295,000</u>	<u>1,361,607</u>	<u>(2,993,821)</u>
Excess of revenues and other sources over (under) expenditures and other uses	124,622	4,992,365	8,341	(1,232,126)	3,893,202
FUND BALANCES JULY 1	1,199,994	1,308,235	161,994	11,838,600	14,508,822
FUND BALANCES JUNE 30	<u>\$ 1,324,616</u>	<u>\$ 6,300,600</u>	<u>\$ 170,334</u>	<u>\$ 10,606,474</u>	<u>\$ 18,402,024</u>

WASHINGTON CITY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 3,893,202
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	9,103,092	
Depreciation expense	<u>(464,354)</u>	
		8,638,738

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond proceeds	(3,295,000)	
Repayment of bond principal	440,000	
Accrued Interest expense (net)	<u>(28,240)</u>	
		(2,883,240)

Net increase in compensated absences payable	(33,407)
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Change in net assets of governmental activities	<u>\$ 9,615,293</u>
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The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Statement of Net Assets
Major Proprietary Funds
June 30, 2006

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
Assets						
Current assets:						
Cash & cash equivalents	\$ 5,432,194	\$ 5,483,182	\$ 6,840,819	\$ 5,046,350	\$ 145,663	\$ 22,948,208
Accounts receivable (net of allowance)	336,473	273,184	708,027		17,083	1,334,766
Receivable from other funds						
Pre-paid expenses			185,596			185,596
Total current assets	5,768,667	5,756,366	7,734,442	5,046,350	162,745	24,468,570
Long-term assets:						
Deferred charge						
Construction in progress	233,775	22,489	6,012,467		234,440	6,503,171
Capital assets, net of accumulated depreciation	20,548,599	7,421,232	6,766,080		5,406,197	40,142,109
Total long-term assets	20,782,374	7,443,721	12,778,548		5,640,637	46,645,279
Total assets	26,551,041	13,200,087	20,512,990	5,046,350	5,803,382	71,113,849
Liabilities and Net Assets						
Liabilities:						
Current liabilities:						
Negative cash balance	-	-	-		745,555	745,555
Accounts payable						
Sales tax payable			22,794		5,123	27,917
Accrued interest	16,623	21,958	108,769			147,350
Payable to other funds						
Deposits payable	37,762		129,372			167,134
Compensated absences payable	27,178	22,404	43,581		46,353	139,516
Deferred revenue	225		350,820			351,045
Capital leases payable within one year		37,797			19,774	57,571
Bonds payable within one year	298,655	158,000	280,000			736,655
Total current liabilities	380,443	240,159	935,336	-	816,805	2,372,743
Non-current liabilities						
Bond premium			216,677			216,677
Capital leases payable within one year		57,439			537	57,976
Bonds payable after one year	7,608,373	2,477,000	7,290,000			17,375,373
Total non-current liabilities	7,608,373	2,534,439	7,506,677	-	537	17,650,026
Total liabilities	7,988,816	2,774,598	8,442,013	-	817,342	20,022,769
Net assets:						
Invested in capital assets, net of related debt	12,875,346	4,713,485	5,208,548		5,620,325	28,417,704
Restricted for:						
Debt service	489,574	51,041	4,199,030			4,739,645
Other purposes	4,971,875	4,100,542	1,094,275			10,166,692
Unrestricted	225,430	1,560,421	1,569,124	5,046,350	(634,285)	7,767,040
Total net assets	\$ 18,562,225	\$ 10,425,489	\$ 12,070,977	\$ 5,046,350	\$ 4,986,040	\$ 51,091,081

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended June 30, 2006

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
Operating revenues:						
Charges for services	\$ 2,643,404	\$ 1,945,022	\$ 5,813,097	\$ -	\$ 1,472,283	\$ 11,873,807
Solid waste collection		580,352				580,352
Miscellaneous	10,156		173,663		62,532	246,351
Total operating revenues	2,653,560	2,525,374	5,986,761	-	1,534,815	12,700,510
Operating expenses:						
Salaries	385,841	246,476	460,185		513,067	1,605,569
Employees benefits	194,573	119,938	193,595		117,702	625,808
Utilities	294,008	15,932	18,474		59,372	387,786
Professional services	124,001	45,463	5,173		123,001	297,637
Repairs and maintenance	180,886	3,531	251,628		15,437	451,483
Outfall line		549,537			85,955	635,492
Regional sewer plant		1,022,156				1,022,156
Water purchased	141,792					141,792
Power purchased			3,524,937			3,524,937
Transmission expense			285,144			285,144
Lease expense						
Insurance						
Miscellaneous	8,061	3,928	171,401		31,809	31,809
Supplies	43,735	56,335	30,086		241,277	424,668
Bad debt expense	2,311	1,986	25,577		72	130,227
Depreciation	513,527	226,123	276,375		175,859	29,873
Total operating expenses	1,888,735	2,291,404	5,242,575	-	1,363,550	10,786,264
Operating income (loss)	764,825	233,969	744,186		171,265	1,914,245
Nonoperating income:						
Interest earnings	218,694	144,778	402,128	46,350	27,711	839,661
Impact fees	2,225,255	816,744	956,875		204,140	4,203,013
Connection Fees	144,180	84,825	263,550			492,555
Contributions	2,067,728	2,083,456	546,181		818,214	5,515,579
Gain (Loss) on sale of assets	9,899	3,994	6,799		(4,218)	16,474
Interest & fiscal charges	(257,589)	(76,943)	(323,693)		(304,083)	(962,308)
Total nonoperating income	4,408,167	3,056,853	1,851,839	46,350	741,764	10,104,973
Net income (loss) before transfers	5,172,991	3,290,823	2,596,025	46,350	913,030	12,019,218
Transfer in				5,000,000	2,053,820	7,053,820
Transfer out	(255,000)	(205,000)	(305,000)			(765,000)
Change in net assets	4,917,991	3,085,823	2,291,025	5,046,350	2,966,850	18,308,039
Transfer in						
Net assets - beginning	13,644,233	7,339,666	9,779,952		2,019,190	32,783,042
Net assets - ending	\$ 18,562,225	\$ 10,425,489	\$ 12,070,977	\$ 5,046,350	\$ 4,986,040	\$ 51,091,081

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY
Statement of Cash Flows
Major Proprietary Funds
Year Ended June 30, 2006

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
Cash flows from operating activities:						
Cash received from customers	\$ 2,586,904	\$ 2,489,618	\$ 6,322,589	\$ -	\$ 1,534,273	\$ 12,933,384
Cash payments to suppliers for goods and services	(794,794)	(1,698,868)	(4,312,420)		(556,925)	(7,363,007)
Cash payments to employees for services	(580,139)	(360,872)	(644,183)		(631,908)	(2,217,102)
Net cash provided (used) by operating activities	1,211,971	429,878	1,365,986	-	345,440	3,353,275
Cash flows from noncapital financing activities:						
Operating transfers (to) from other funds	(255,000)	(205,000)	(305,000)	5,000,000	2,053,820	6,288,820
Net cash (used) by noncapital financing activities	(255,000)	(205,000)	(305,000)	5,000,000	2,053,820	6,288,820
Cash flows from capital and related financing activities:						
Cash received from impact and connection fees	2,369,435	901,569	1,220,425		204,140	4,695,569
Other receipts (payments)	9,900	3,993	6,799		(4,218)	16,474
Acquisition of capital assets	(1,992,081)	(176,348)	(5,253,123)		(704,728)	(8,126,280)
Interest paid on capital debt	(258,809)	(77,993)	(325,205)		(333,238)	(995,245)
Amounts to other funds	-	140,000	-		(140,000)	-
Proceeds from long-term obligations	-	-	-		-	-
Principal paid on capital lease obligations	-	(32,508)	(11,928)		(39,814)	(84,250)
Principal paid on capital debt	(298,318)	(126,000)	(275,000)		(1,439,938)	(2,139,256)
Net cash (used) by capital and related activities	(169,873)	632,713	(4,638,032)	-	(2,457,796)	(6,632,988)
Cash flows from investing activities						
Interest received	218,694	144,778	402,128	46,350	27,712	839,662
Net cash (used) by investing activities	218,694	144,778	402,128	46,350	27,712	839,662
Net increase in cash and cash equivalents	1,005,792	1,002,369	(3,174,918)	5,046,350	(30,824)	3,848,769
Cash and Cash Equivalents - Beginning	4,426,402	4,480,813	10,015,737	-	(569,068)	18,353,884
Cash and Cash Equivalents - Ending	\$ 5,432,194	\$ 5,483,182	\$ 6,840,819	\$ 5,046,350	\$ (599,892)	\$ 22,202,653
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 764,825	\$ 233,969	\$ 744,186	\$ -	\$ 171,265	\$ 1,914,245
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	513,527	226,123	276,375		175,859	1,191,884
Increase decrease accounts receivable	(82,188)	(35,756)	12,692		-	(105,252)
Increase decrease in deferred revenue	225		313,241		(542)	312,924
Increase decrease in accounts payable			3,393			3,393
Increase decrease in deposits payable	15,307		6,503			21,810
Increase decrease in compensated absences	275	5,542	9,596		(1,142)	14,271
Total adjustments	447,146	195,909	621,800	-	174,175	1,439,030
Net cash provided (used) by operating activities	\$ 1,211,971	\$ 429,878	\$ 1,365,986	\$ -	\$ 345,440	\$ 3,353,275

The notes to the financial statements are an integral part of this statement.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Washington City, Utah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Reporting Entity - As required by GAAP, these financial statements present the City and its component units, The Coral Canyon Special Service District and the Municipal Building Authority of Washington City, Washington County, Utah, for which the City is considered to be financially accountable. The City is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance, part of the City's operations.

Blended Component Units:

The Coral Canyon Special Service District was created by Resolution Number 2000-14 on June 14, 2000. The District was created for the purpose of providing water, sewer, drainage, flood control, health care, transportation, recreation, fire protection, street lighting, and snow removal services within the boundaries of the District through the construction, purchase, gift, condemnation or any combination thereof of the facilities or systems necessary to provide said services.

Further information concerning the District is presented in footnote 13 to the financial statements.

Municipal Building Authority of Washington City, Washington County, Utah

The Municipal Building Authority of Washington City, Washington County, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on October 20, 1995. The Authority was formed for the purpose of accomplishing the public purposes for which Washington City exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Washington City. The Authority is governed by a board of trustees comprised of the elected officials of Washington City. Transactions of the Authority are blended into the audit report issued by Washington City. No separate audit report is issued.

There are no discretely presented component units.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- General Fund
- Park Property Capital Project Fund
- Coral Canyon Special Service District

The General Fund is the government's primary operating fund. It accounts for all financial resources for the general government, except for those required to be accounted for in another fund.

The Park Property Capital Project Fund accounts for resources accumulated to construct city parks.

Coral Canyon Special Service District accounts for bonds issued and infrastructure constructed in the Coral Canyon area.

The City reports the following major proprietary funds:

- Water Utility Fund
- Sewer Collection Fund
- Electric Utility Fund
- Internal Debt Service Fund

The Water Utility Fund accounts for the activities of the City's water production, treatment, and distribution operations.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Sewer Collection Fund accounts for the operation and maintenance of the City's sewer collection system.

The Electric Utility Fund accounts for the operation and maintenance of the City owned electric system.

The Internal Debt Service Fund accounts for funds used to provide internal financing for various city projects.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of all exhaustible fixed assets used is charged as an expense against operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water, sewer and electric system improvements	40-50 years
Buildings	20-30 years
Machinery and Equipment	5-10 years
Roads and infrastructure	15 years
Improvements other than buildings	20 years

Property Tax

Washington County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore, all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capitalized Interest

The City capitalizes interest costs and interest earned as part of the cost of constructing various buildings and water and sewer projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

If material, bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. If material, issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Compensated Balances

City employees accumulate 3.69 hours of sick leave each pay period. There is no limit on sick leave accrual. Upon leaving City employment, the employee will be paid for one-half of sick leave accumulated not to exceed 360 hours.

City employees accrue vacation leave in varying amounts depending on the amount of service. An employee may carry no more than 80 hours of vacation leave to the next year. Any accumulated vacation leave in excess of 80 hours will be lost as of the anniversary date of the employee's hiring.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 37,033,410
Accumulated depreciation	(3,827,840)
Construction in Progress	<u>3,931,809</u>
Total difference	<u>\$ 37,137,379</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds	\$ (15,918,000)
Bond interest accrual	(228,299)
Compensated Absences Payable	<u>137,760</u>
Total Difference	<u>\$ 16,284,059</u>

- B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 9,103,092
Depreciation expense	(464,354)
New difference as reported	<u>\$ 8,638,738</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and related items is as follows:

Repayment of bond principal	440,000
Bond Proceeds	(3,295,000)
Accrued interest expense	(28,240)
Net increase in compensated absences	<u>(33,407)</u>
Net Difference	<u>(\$2,916,647)</u>

NOTE 2. LEGAL COMPLIANCE - BUDGETS/STATUTORY

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's budget officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. LEGAL COMPLIANCE - BUDGETS/STATUTORY - CONTINUED

reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmation vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly. State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

NOTE 3. CASH AND INVESTMENTS:

The City maintains a cash and investment pool, which includes the cash account and several investments. The City also has deposits held by the Trust Department of Zions Bank as fiscal agent for bonds issued. The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2006, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit and on hand	\$ 383,976
State Treasurer's investment pool	36,561,369
Cash with Fiscal Agent	5,596,158
	<u>\$ 42,541,503</u>

The following paragraphs discuss the City's exposure to various risks related to its cash management activities.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$284,006 of the City's bank balances were uninsured or uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the City's investments at June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$36,561,369	less than 1 year	not rated

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the City's portfolio at the time of purchase.

As of year end, the City had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:

Cash on deposit and on hand	\$ 383,976
Utah State Treasurer's investment pool account	36,561,369
Cash with fiscal agent	<u>5,596,158</u>
Total cash and investments	<u>\$ 42,541,503</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 43,317,421
Cash with negative balances	<u>(775,918)</u>
Total cash and investments	<u>\$ 42,541,503</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. LONG-TERM DEBT:

The following is a summary of Long-Term Debt transactions of the City for the fiscal year ending June 30, 2006.

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Matured During Year	Outstanding June 30, 2006
Revenue Bonds						
Sales Tax Rev. Bond-2003	9/10/03	3%-5.25%	\$4,270,000	\$4,125,000	\$150,000	\$3,975,000
Electric Revenue Bonds	10/6/04	1.65%-5%	7,845,000	7,845,000	275,000	7,570,000
Golf Course Refunding Bonds	4/1/94	4.2%-5.7%	4,950,000	1,715,000	1,715,000	
Water Revenue Bonds - 1993C	3/1/95	0%	1,362,000	750,000	68,000	682,000
Water Revenue Bonds - 1993A	3/20/96	0%	1,362,000	720,000	80,000	640,000
Water Revenue Bonds - 1993B	4/10/96	4.5%	1,000,000	895,231	14,001	881,230
Water Revenue Bonds - 1996	6/7/96	4.5%	375,000	337,571	4,721	332,850
Lease Revenue Bond - 1995	12/8/95	5.39%	1,600,000	850,000	110,000	740,000
Lease Revenue Bond - 1996	6/19/96	6.12%	400,000	222,000	29,000	193,000
Lease Revenue Bond - 1998	12/08/98	4.45%-4.9%	875,000	400,000	95,000	305,000
Sewer Revenue Bond - 1999	5/27/99	2%	3,356,000	2,761,000	126,000	2,635,000
Water Revenue Bonds - 2000B	1/14/01	0%	1,150,000	955,000	51,000	904,000
Water Revenue Bonds - 2000A	6/15/01	3.25%	1,639,900	1,554,133	23,239	1,530,894
Sales Tax Revenue Bond - 2001	1/2/02	2.7%-4.5%	1,000,000	861,000	56,000	805,000
Water Revenue Bonds - 2002B	11/1/02	2.59%	685,000	631,000	28,000	603,000
Water Revenue Bonds - 2002A	9/26/03	4.25%	2,400,000	2,362,411	29,357	2,333,054
Total Revenue Bonds			\$34,269,900	\$26,984,346	\$2,854,318	\$24,130,028
Coral Canyon SSD:						
G.O. Bonds - 2001	5/1/01	5.5%-6.10%	\$ 900,000	\$ 900,000	\$	\$ 900,000
G.O. Bonds - 2001A	11/27/01	4.7%-6%	2,525,000	2,525,000		2,525,000
G.O. Bonds - 2003	10/15/03	5%-5.9%	3,180,000	3,180,000		3,180,000
G.O. Bonds - 2006	5/11/06	4.85%-5.3%	3,295,000			3,295,000
Total Revenue Bonds			\$2,900,000	\$6,605,000	\$	\$2,900,000

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

Revenue Bonds Payable at June 30, 2006, is comprised of the following individual issues:

Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000. The bonds bear interest of 1.65% to 5%.	7,570,000
Water System Water Revenue Bonds, series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2005 bearing no interest.	682,000
Water System Water Revenue Bonds Series 1993 A payable in annual installments of \$67,000 to \$80,000 with a final payment of \$160,000 due January 1, 2013. The bonds bear no interest.	640,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%.	332,850
Lease Revenue Bonds, Series 1995 issued by the Municipal Building Authority of Washington City, Washington County, Utah. Bonds are secured by a lease agreement with Washington City, Utah payable in semi-annual installments of \$35,000 to \$75,000 on June 1 and December 1 of each year. Principal payments begin June 1, 1997 with interest payments beginning June 1, 1997 with interest payments beginning June 1, 1996. The bonds bear a net interest cost of 5.39%.	740,000
Lease Revenue Bonds, Series 1996 issued by the Municipal Building Authority of Washington City, Washington County, Utah. Bonds are secured by a lease agreement with Washington City, Utah payable in semi-annual installments of \$9,000 to \$20,000 on June 1 and December 1 of each year. Principal payments begin December 1, 1997 with interest payments beginning December 1, 1996. The bonds bear a net interest cost of 6.12%	193,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through January 10, 2036 bearing interest at 4.50%.	881,230

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

Lease Revenue Series 1998 Park bonds issued by the Municipal Building Authority, payable in annual installments of \$70,000 to \$110,000 beginning December 1, 1999. The bonds bear interest of 4.45% to 4.9%. Interest is paid semi-annually.	305,000
Sewer Revenue Bonds, Series 1999 approved May 27, 1999 in the total amount of \$3,356,000. Payable in annual installments of \$119,000 to \$219,000. The bonds bear interest of 2%.	2,635,000
Water Revenue Bonds - Series 2000B January 17, 2001 dated were issued in the amount of \$1,150,000. The bonds are held by the State of Utah - Drinking Water Board and bear 0% interest. Payments are made yearly in January and range from \$48,000 to \$69,000.	904,000
Water Revenue Bonds - Series 2000 A were issued in the amount of \$1,639,900. The bonds are held by USDA - RD bear interest of 3.25%. Payments of \$6,117 are made monthly.	1,530,894
Sales Tax Revenue Bonds - Series 2001 were issued in the amount of \$1,000,000. Payable in annual installments of \$33,000 to \$89,000 beginning November 15, 2002. The bonds bear interest of 2.7% to 4.5%	805,000
Water Revenue Bonds Series 2002B payable in yearly installments of \$27,000 to \$44,000 bearing interest of 2.59%	603,000
Water Revenue Bonds, Series 2002A. Payable in monthly installments of \$10,416 with a final payment due August, 2043. The bonds bear interest of 4.25%	2,333,054
Sales Tax Revenue Bonds Series 2003. Payable in annual installments of \$145,000 to \$320,000 with interest paid semi-annually. The bonds bear interest of 3% to 5.25%.	<u>3,975,000</u>
Revenue Bonds payable at June 30, 2006	<u><u>\$24,130,028</u></u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

Coral Canyon Special Service District:

The Coral Canyon Special Service District issued general obligation road bonds during the fiscal years ending June 30, 2001 and June 30, 2002. Proceeds will be used to construct roads and infrastructure within the boundaries of the District.

Bonds outstanding as of June 30, 2006, is comprised of the following issues:

General Obligation Road Bonds - Series 2001 were issued during the year ended June 30, 2002 in the amount of \$900,000. The bonds bear interest of 5.5% to 6.10% with payments due annually in July beginning July 15, 2007. Payments range from \$25,000 to \$75,000.	\$ 900,000
General Obligation Bonds - Series 2001A were issued during the year ended June 30, 2002 in the amount of \$2,525.00. The bonds bear interest of 4.7% to 6% with principal payments due annually of \$75,000 to \$205,000 beginning July of 2007. Interest is paid semi-annually beginning July, 2002.	2,525,000
General Obligation Bonds - Series 2003 issued October 15, 2003 in the amount of \$3,180,000 payable in annual installments of \$95,000 to \$245,000 with the final payment due July 15, 2028. Interest is paid semi-annually at a rate of 5% to 5.9%.	3,180,000
General Obligation Bonds - Series 2006 issued May 11, 2006 in the amount of \$3,295,000 payable in annual installments of \$40,000 to \$745,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 4.85% to 5.3%.	<u>3,295,000</u>
General Obligation Bonds Payable at June 30, 2006	<u>\$ 9,900,000</u>

Water, Sewer, Electric, and Golf Course Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water, sewer, electric, and golf course funds.

The revenue bonds are collateralized by the revenue of the above funds and the various special funds established by the bond ordinances. the ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year sufficient to pay the annual debt service requirements.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

The City's total future bonded debt service including interest of \$20,017,257 as of June 30, 2006 is as follows:

<u>Year Ending</u>	<u>Annual</u>
2007	\$ 2,573,060
2008	2,722,497
2009	2,727,368
2010	2,705,579
2011	2,712,613
2012	2,653,523
2013	2,633,527
2014	2,471,394
2015	2,541,568
2016	2,406,348
2017	2,407,857
2018	2,315,854
2019	2,311,067
2020	2,314,385
2021	2,085,647
2022	2,016,359
2023	2,019,730
2024	1,973,190
2025	1,641,193
2026	1,039,498
2027	1,038,425
2028	1,038,736
2029	1,037,886
2030	1,035,820
2031	1,037,395
2032	272,652
2033	272,652
2034	272,652
2035	272,653
2036	241,978
2037	198,396
2038	198,396
2039	198,396
2040	198,396
2041	190,832
2042	124,992
2043	124,992
2044	<u>19,779</u>
	<u>\$ 54,047,285</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5. COMPONENTS OF RESERVED FUND EQUITY:

General Fund:	
Debt Service - Sales Tax Bonds	\$427,579
Coral Canyon Special Servie District	170,334
Park Property Capital Project Fund	6,300,600
Other Governmental Funds:	
Telegraph Road	(520)
Street Improvement	1,753,989
Mile Post 13	(29,843)
Street Impact Fees	2,775,430
Parks/Recreation Impact Fees	1,342,274
Fire Station Impact Fee	226,073
Trail System	415,772
Property Acquisition	846,855
General Capital Projects	2,236,806
Municipal Building Authority	497,614
Cemetery Capital Projects	<u>542,024</u>
Total Other Governmental Funds	<u>10,606,474</u>
Total Governmental Funds	<u>\$17,504,987</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5. COMPONENTS OF RESERVED FUND EQUITY - CONTINUED:

Enterprise Funds:

Water Fund:

Debt Service	\$ 489,574
Impact Fees	<u>4,971,875</u>
Total Water Fund	5,461,449

Sewer Fund:

Debt Service	51,041
Impact Fees	<u>4,100,542</u>
Total Sewer Fund	4,151,583

Electric Fund:

Debt Service	4,199,030
Impact Fees	<u>1,094,275</u>
Total Electric Fund	5,293,305

Total Enterprise Fund	<u><u>\$14,906,337</u></u>
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NOTE 6. LITIGATION:

Washington City is presently involved in matters of litigation in which individuals request significant damages from the City. Several cases have been forwarded to the City's insurer for review. The outcome of these cases is uncertain.

NOTE 7. RESTRICTED ACCOUNTS - BOND COVENANTS:

Washington City maintains the following cash balances in compliance with various bond agreements:

Sales, lease revenue and general obligation bonds	\$ 907,554
Water fund bonds	489,574
Sewer fund bonds	51,041
Electric bonds	<u>4,199,030</u>
Total	<u><u>\$ 5,647,199</u></u>

The above amounts represent reserve, emergency repair, construction, and sinking funds restricted for payment of bond principal, interest and construction costs as they come due.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8. DEFINED BENEFIT PENSION PLAN:

Plan Description. Washington City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Washington City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage contributory division members are required to contribute 12.29% of their salary (all or part may be paid by the employer for the employee) and Washington City is required to contribute 7.95% of their annual salary. In the Firefighters Retirement System for employers with (without) Social Security coverage plan members are required to contribute 8.61% of their annual covered salary (all or part may be paid by the employer for the employee) and Washington City is required to contribute 0% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirement of the Systems are authorized by statute and specified by the Board.

Washington City's contributions to the Local Governmental Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$294,284, \$262,329 and \$192,706 respectively and for the Public Safety Retirement System the contributions for June 30, 2006, 2005 and 2004 were \$34,734, none and none respectively, and for the Firefighters Retirement System the contributions for June 30, 2006, 2005 and 2004 were \$2,897, none and none respectively. The contributions were equal to the required contributions for each year.

NOTE 9. BONDS ISSUED:

During the fiscal year the City issued the following bonds:

Coral Canyon Special Service District General Obligation Bonds - Series 2006 in the amount of \$3,295,000. The Bonds bear interest of 4.85% to 5.3%.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10. RISK MANAGEMENT:

Washington City is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The City has procured commercial insurance coverage, which in the City's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE:

On December 1, 1995, the Municipal Building Authority of Washington City, Washington County (the Authority) entered into a lease arrangement with Washington City. The lease was later amended to reflect a change in the project being constructed by the Authority. The amendment to the lease is dated June 1, 1996.

Pursuant to the lease arrangement, the Authority is to demolish the existing two-story City office building and acquire and construct a new office facility. In order to construct the new office facility, the Authority issued two separate lease revenue bond issues dated 1995 and 1996 in the amount of \$1,600,000 and \$400,000 respectively. Proceeds of the bond issues have been deposited with the trust department of Zions First National Bank as fiscal agent for the bonds.

The initial term of the lease commences as of the date of delivery of the Series 1995 Lease Revenue Bonds and terminates on June 30, 1996. The lease term may be continued, solely at the option of Washington City, beyond the termination of the original term for an additional year, the first "renewal term", and for 14 consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term will commence July 1, 2011 and end on December 1, 2011. The City makes an election to continue the lease for the next renewal term by budgeting sufficient City funds to pay the base and reasonably estimated additional rentals due during the next following renewal term. The City renewed the lease for the next fiscal year.

The City and the Authority acknowledge and agree that the obligation of the City to pay base rentals and additional rentals constitutes a current expense of the City payable exclusively from City funds and shall not in any way be construed to be an obligation or indebtedness of the City within the meaning of Sections 3 or 4 of Article XIV of the Utah Constitution, or any other constitutional or statutory limitation or requirement applicable to the City concerning the creation of indebtedness. The lease is to be deemed a net lease.

The terms of the lease require Washington City to pay certain base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE - CONTINUED:

Schedule of Base Rental Payments

<u>Payment Date</u>	<u>Base Rentals Attributable to Series 1995 Bonds</u>	<u>Base Rentals Attributable to Series 1996 Bonds</u>	<u>Total Base Rental Payment</u>
May 15, 1996	\$ 41,451.52	\$	\$ 41,451.52
Nov 15, 1996	43,128.75	10,693.58	53,822.33
May 15, 1997	78,128.75	11,881.75	90,010.50
Nov 15, 1997	77,227.50	20,881.75	98,109.25
May 15, 1998	76,326.25	20,638.75	96,965.00
Nov 15, 1998	80,416.25	20,395.75	100,812.00
May 15, 1999	79,376.25	21,143.75	100,520.00
Nov 15, 1999	78,306.25	20,863.75	99,170.00
May 15, 2000	77,236.25	20,573.75	97,810.00
Nov 15, 2000	81,166.25	21,283.75	102,450.00
May 15, 2001	79,962.50	20,959.25	100,921.75
Nov 15, 2001	78,736.25	20,634.75	99,371.00
May 15, 2002	77,510.00	20,304.75	97,814.75
Nov 15, 2002	76,272.50	20,974.75	97,247.25
May 15, 2003	80,035.00	20,608.75	100,643.75
Nov 15, 2003	78,647.50	21,242.75	99,890.25
May 15, 2004	77,260.00	20,839.75	98,099.75
Nov 15, 2004	80,872.50	20,436.75	101,309.25
May 15, 2005	79,346.25	21,033.75	100,380.00
Nov 15, 2005	77,806.25	20,599.75	98,406.00
May 15, 2006	76,266.25	21,162.25	97,428.50
Nov 15, 2006	79,795.00	20,693.50	100,488.50
May 15, 2007	78,190.00	21,251.00	99,441.00
Nov 15, 2007	76,585.00	20,779.00	97,364.00
May 15, 2008	79,980.00	20,307.00	100,287.00
Nov 15, 2008	78,241.25	20,835.00	99,076.25
May 15, 2009	76,502.50	20,333.50	96,836.00
Nov 15, 2009	79,763.75	20,832.00	100,595.75
May 15, 2010	77,891.25	21,301.00	99,192.25
Nov 15, 2010	81,018.75	20,740.50	101,759.25
May 15, 2011	79,012.50	21,180.00	100,192.50
Nov 15, 2011	<u>77,006.25</u>	<u>20,590.00</u>	<u>97,596.25</u>
TOTALS	\$ <u>2,439,465.27</u>	\$ <u>625,996.33</u>	\$ <u>3,065,461.60</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE - CONTINUED:

In addition to the base rentals, the lease requires the City to pay additional rentals which are defined as any costs of the Trustee, Zions First National Bank, associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property.

The City, at its option, may exercise a purchase option for the purpose of terminating the payment obligation of the City under this lease and purchasing the Authority's interest in the project.

The purchase option shall be an amount, when added to amounts being held by the Trustee for payment of bonds, sufficient to pay, defease, retire and/or redeem all the outstanding bonds, as appropriate, in accordance with the provisions of the indenture.

NOTE 12. CAPITAL LEASES:

Washington City has entered into capital lease agreements which require the following scheduled payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 57,571	\$ 2,811	\$ 60,382
2008	38,367	1,429	39,796
2009	<u>19,609</u>	<u>289</u>	<u>19,898</u>
Total	<u>\$115,547</u>	<u>\$ 4,529</u>	<u>\$ 120,076</u>
Enterprise Fund	<u>\$115,547</u>	<u>\$ 4,529</u>	<u>\$ 120,076</u>

Capitalized leases in the enterprise funds are depreciated over the useful life of the asset (see Note 1). Depreciation on capitalized leases is included with depreciation expense in the various enterprise funds.

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT:

On June 14, 2000, the City adopted Resolution Number 2000-14 creating the Coral Canyon Special Service District pursuant to Section 17A-2-1312 of the Utah Special Services District Act, Utah Code Annotated 1953.

The City Council of Washington City, Utah acts as the supervisory authority over all activities of the District. The District has issued bonds to finance construction of public infrastructure. The bonds issued are general obligation bonds and are the responsibility of the Coral Canyon Special Service District. The remaining debt service of these bonds at year end is as follows:

Coral Canyon SSD General Obligation Bonds - Series 2001

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$53,530	\$53,530
2008	25,000	53,530	78,530
2009	30,000	52,155	82,155
2010	30,000	50,505	80,505
2011	30,000	48,855	78,855
2012	35,000	47,205	82,205
2013	35,000	45,280	80,280
2014	40,000	43,180	83,180
2015	40,000	40,780	80,780
2016	40,000	38,380	78,380
2017	45,000	35,980	80,980
2018	50,000	33,280	83,280
2019	50,000	30,280	80,280
2020	55,000	27,280	82,280
2021	55,000	23,980	78,980
2022	60,000	20,680	80,680
2023	65,000	17,080	82,080
2024	70,000	13,115	83,115
2025	70,000	8,845	78,845
2026	75,000	4,575	79,575
	<u>\$900,000</u>	<u>\$688,495</u>	<u>\$1,588,495</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2001A

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$143,825	\$143,825
2008	75,000	142,063	217,063
2009	75,000	138,463	213,463
2010	80,000	134,645	214,645
2011	85,000	130,540	215,540
2012	90,000	126,143	216,143
2013	95,000	121,448	216,448
2014	100,000	116,195	216,195
2015	105,000	110,333	215,333
2016	110,000	104,205	214,205
2017	115,000	97,793	212,793
2018	120,000	91,095	211,095
2019	130,000	83,970	213,970
2020	135,000	76,463	211,463
2021	145,000	68,023	213,023
2022	155,000	59,173	214,173
2023	160,000	49,800	209,800
2024	170,000	39,900	209,900
2025	180,000	29,400	209,400
2026	195,000	18,150	213,150
2027	<u>205,000</u>	<u>6,150</u>	<u>211,150</u>
	<u>\$2,525,000</u>	<u>\$1,887,777</u>	<u>\$4,412,777</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2003

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$179,560	\$179,560
2008		179,560	179,560
2009		179,560	179,560
2010	95,000	177,185	272,185
2011	95,000	172,435	267,435
2012	100,000	167,560	267,560
2013	105,000	162,435	267,435
2014	110,000	157,060	267,060
2015	120,000	151,010	271,010
2016	125,000	144,273	269,273
2017	130,000	137,260	267,260
2018	140,000	129,765	269,765
2019	145,000	121,998	266,998
2020	155,000	113,515	268,515
2021	165,000	104,235	269,235
2022	175,000	94,375	269,375
2023	185,000	83,935	268,935
2024	195,000	72,915	267,915
2025	205,000	61,213	266,213
2026	215,000	48,823	263,823
2027	230,000	35,695	265,695
2028	245,000	21,683	266,683
2029	<u>245,000</u>	<u>7,228</u>	<u>252,228</u>
	<u>\$3,180,000</u>	<u>\$2,703,278</u>	<u>\$5,883,278</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$116,607	\$116,607
2008		172,042	172,042
2009		172,042	172,042
2010		172,042	172,042
2011		172,042	172,042
2012	40,000	172,042	212,042
2013	45,000	169,011	214,011
2014	45,000	166,829	211,829
2015	45,000	164,647	209,647
2016	50,000	162,343	212,343
2017	55,000	159,796	214,796
2018	50,000	157,250	207,250
2019	55,000	154,608	209,608
2020	60,000	151,618	211,618
2021	60,000	148,498	208,498
2022	60,000	145,378	205,378
2023	70,000	141,998	211,998
2024	70,000	138,358	208,358
2025	80,000	134,458	214,458
2026	80,000	130,298	210,298
2027	165,000	123,928	288,928
2028	390,000	109,400	499,400
2029	425,000	88,006	513,006
2030	705,000	58,168	763,168
2031	<u>745,000</u>	<u>19,743</u>	<u>764,743</u>
	<u>\$3,295,000</u>	<u>\$3,501,152</u>	<u>\$6,796,152</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 14. UTILITY RATES AND STATISTICS

Rate Schedule	<u>Residential</u>	<u>Commercial</u>
Water:		
Minimum Monthly Charge	\$ 17.50	\$ 17.50/ERU
Usage in increments of 5,000 gallons to 40,000 gallons and over	\$.90 - 1.85	\$.90 - 1.85
Late Payment Penalty	5%	5%
Impact Fee - 3/4 in. line	\$ 3,182	\$ 3,182
- 1 in. line	5,250	5,250
- 1 1/2 in. line	11,869	11,869
- 2 in. line	20,842	20,842
- 3 in. line	46,273	46,273
- 4 in. line	83,273	83,273
- 6 in. line	187,356	187,356
Connection Fee - 3/4" meter	225	225
-1" meter	275	275
-1 1/2" meter	521	521
-2" meter	661	661
-3" meter	1,983	1,983
-4" meter	1,983	1,983

Larger meter connection fees are based on estimates of costs to connect.

Sewer:		
Monthly Charge		
North of Virgin River	\$ 25.50	\$ 25.50/ERU
South of Virgin River	27.50	27.50/ERU
Ridge Pointe /Subdivision	25.50 + 10.68	
Coral Canyon/Subdivision	25.50 + 4.60	
Impact Fee:		
North of Virgin River	650	650/ERU
South of Virgin River	2,150	2,150/ERU
Inspection Fee	150	150/ERU

Sewer System Statistics:

North of Virgin River:
Residential Equivalents connected to the
system at June 30, 2006 5,276
Applications in process None
Average monthly billing per customer \$ 27.50

South of Virgin River:
Residential Equivalents Connected to the
system at June 30, 2006 1,343

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 15. INSURANCE COVERAGE:

<u>Description</u>	<u>Coverage</u>	<u>Amount</u>
Automobile	Bodily injury liability: Combined Limit	\$2,000,000
	Property damage liability: Combined Limit	2,000,000
	Underinsured - Per Occurrence	50,000
	Uninsured - Person: Per occurrence	65,000
General Liability	Combined Limit	2,000,000
Property Coverage	All Risk Policy	18,344,757

Faithful Performance Bonds:

City Treasurer	\$ 1,500,000
City Recorder	50,000
City Bail Clerk	50,000
Blanket Bond (All employees except Treasurer)	50,000

NOTE 16. INFRASTRUCTURE

The City maintains its streets using a pavement management system. The condition of the pavements is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a remaining service life ranging from 0 years to 20 years.

The weighted average pavement condition for the City's street pavement for the most recent year is as follows:

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 16. INFRASTRUCTURE - CONTINUED

Table of pavement condition

Remaining Service Life (Years)	Percent of Streets
0	.73
1-2	1.67
3-4	5.23
5-6	9.13
7-8	18.32
9-10	17.31
11-12	.72
13-14	5.35
15-16	1.79
17-18	0
19-20	39.75
Total	<u>100</u>

Average remaining service life as of June 30, 2006 is 13.06 years

The City's administrative policy is to maintain 100% of its streets at an average remaining service life (RSL) of 12.6 years. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$239,794 for street preservation for fiscal 2006.

Under the "modified approach," the City recorded infrastructure assets at estimated original cost, but did not record accumulated depreciation against these assets. Instead of recording depreciation, the City is committed to incur the maintenance expenses necessary to preserve its paved roadway lane miles at a weighted average condition of 12.6 years on a scale of 0 to 20 years. Improvements that lengthen the lives of infrastructure assets are not recorded unless they increase capacity of service potential, in which case they are recorded as additions to infrastructure at original cost. Therefore, resurfacing done to existing streets is not capitalized, but is treated as a maintenance expenditure under the "modified approach."

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 16. INFRASTRUCTURE - CONTINUED

The City conducts periodic physical condition assessments and theoretical deterioration modeling to determine whether infrastructure assets are being maintained at the levels required. The most recent condition assessment performed in May 2001 showed that the City had overall average condition ratings of 10.37 years. During the fiscal year 2005, the street department spent \$239,794, versus a budget of \$400,000, on the maintenance of the City's infrastructure assets, which indicates the relative level of expenditures that the City makes to maintain its infrastructure assets at required conditions.

NOTE 17. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,200,767	\$	\$	\$ 1,200,767
Construction in progress	3,645,546	5,395,904	(5,109,641)	3,931,809
Infrastructure assets	16,885,395	7,653,593		24,538,988
Total capital assets, not being depreciated	21,731,708	13,049,497	(5,109,641)	29,671,564
Capital assets, being depreciated:				
Building & structures	7,868,805	652,293		8,521,098
Machinery & Equipment	512,538	272,320	(14,000)	770,858
Automobiles & Trucks	1,749,076	298,986	(46,362)	2,001,700
Total capital assets, being depreciated	10,130,419	1,223,599	(60,362)	11,293,656
Accumulated depreciation for:				
Building & Structures	2,437,752	232,849		2,670,601
Machinery & Equipment	247,255	94,365	(10,594)	331,026
Automobiles & Trucks	681,343	166,089	(21,218)	826,214
Total accumulated depreciation	3,366,350	493,303	(31,812)	3,827,841
Total capital assets, being depreciated, net	6,764,069	730,296	(28,550)	7,465,815
Governmental activities capital assets, net	<u>\$28,495,777</u>	<u>\$ 13,779,793</u>	<u>\$(5,138,191)</u>	<u>\$ 37,137,379</u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

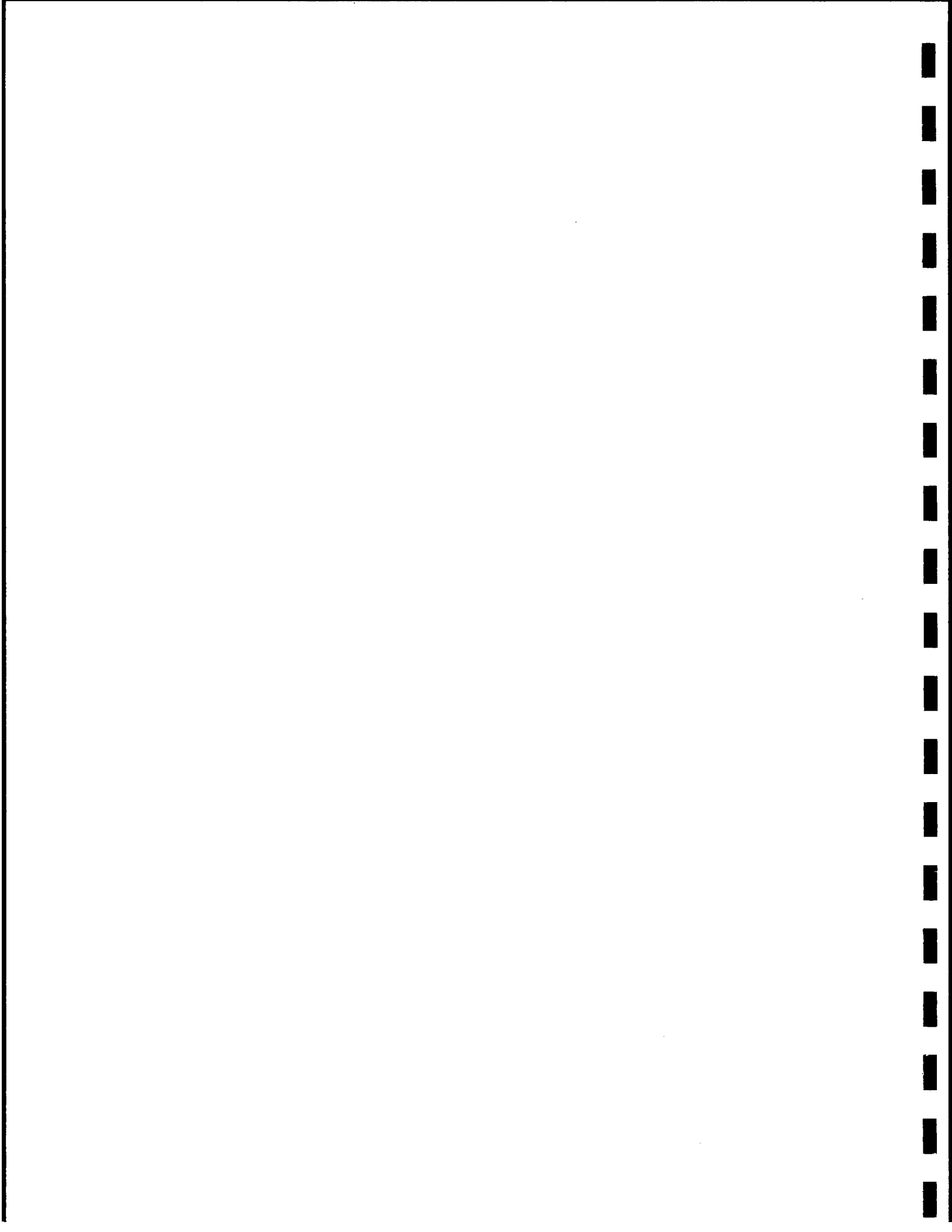
NOTE 17. CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities:				
Capital assets, not being depreciated				
Land & Water Rights	\$ 1,192,458	\$ 271,180	\$	\$ 1,463,638
Construction in progress	2,253,007	5,041,870	(791,706)	6,503,171
Total capital assets, not being depreciated	<u>3,445,465</u>	<u>5,313,050</u>	<u>(791,706)</u>	<u>7,966,809</u>
Capital assets, being depreciated:				
Building & Structures	510,647	135,522		646,169
Improvement other than buildings	38,562,385	8,637,969		47,200,354
Machinery & Equipment	2,125,825	214,103	(57,003)	2,282,925
Automobiles & Trucks	1,290,479	300,574	(245,195)	1,345,858
Total capital assets, being depreciated	<u>42,489,336</u>	<u>9,288,168</u>	<u>(302,198)</u>	<u>51,475,306</u>
Accumulated depreciation for:				
Building & Structures	187,502	19,538		207,040
Improvements other than buildings	9,319,282	939,558		10,258,840
Machinery & Equipment	1,580,067	129,100	(54,402)	1,654,765
Automobiles & Trucks	652,647	111,550	(88,006)	676,191
Total accumulated depreciation	<u>11,739,498</u>	<u>1,199,746</u>	<u>(142,408)</u>	<u>12,796,836</u>
Total capital assets, being depreciated, net	<u>30,749,838</u>	<u>8,088,422</u>	<u>(159,790)</u>	<u>38,678,470</u>
Business type activities capital assets, net	<u><u>\$ 34,195,303</u></u>	<u><u>\$ 13,401,472</u></u>	<u><u>\$ (951,496)</u></u>	<u><u>\$ 46,645,279</u></u>

WASHINGTON CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 18. CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>
Depreciation was charged to functions as follows:	
General government	\$ 81,518
Public safety	147,246
Streets & Highways	55,363
Parks, cemetery, and public property	171,839
Community & Economic development	<u>8,387</u>
Total	<u><u>\$ 464,353</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

WASHINGTON CITY
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,199,994	\$ 1,199,994	\$ 1,199,994	\$ -
Resources (inflows):				
Property taxes, levied for general purposes	953,100	1,048,600	1,066,466	17,866
General sales & use	2,499,768	3,480,000	3,495,648	15,648
Energy sales tax	68,000	75,000	74,461	(539)
Franchise tax	177,000	342,000	345,404	3,404
Earnings on investments	45,000	435,000	435,484	484
Licenses and permits	867,900	1,014,842	978,559	(36,283)
Intergovernmental revenues	993,876	548,174	546,640	(1,534)
Charges for services	337,200	542,811	555,032	12,221
Fines and forfeitures	300,000	220,000	227,928	7,928
Miscellaneous	1,012,045	12,398,930	12,420,420	21,490
Debt proceeds				-
Operating transfers in	421,746	1,420,369	1,415,524	(4,845)
Amounts available for appropriation	8,875,629	22,725,720	22,761,560	35,840
Charges to appropriations (outflows):				
General Government				
Administrative services	741,741	762,610	692,467	70,143
City manager	156,514	174,061	165,682	8,379
City recorder	129,522	129,888	118,218	11,670
City treasurer	134,335	136,007	135,796	211
Human resources	232,240	249,130	201,745	47,385
Judicial	176,773	126,537	111,989	14,548
Legislative council	61,004	50,950	50,924	26
Information technology	91,833	94,836	90,504	4,332
Public safety				
Public safety	1,403,997	1,568,371	1,403,391	164,980
Fire protection	503,592	372,896	349,590	23,306
Animal welfare	207,501	201,411	192,503	8,908
Streets & highways				
Streets & Highways	701,307	745,457	705,498	39,959
Parks, cemetery, and public property				
City shop	140,858	132,694	129,049	3,645
Park services	506,975	523,175	501,438	21,737
Cemetery	87,046	87,246	74,175	13,071
Culture & recreation				
Recreation services	103,124	98,843	82,689	16,154
Swimming pool	104,340	95,707	81,451	14,256
Community & economic development				
Community development	751,742	744,954	723,229	21,725
Debt service				
Principal retirements	173,250	206,000	206,000	-
Interest and fiscal charges	180,956	215,746	215,745	2
Transfers out to other funds				
Operating transfers out	1,790,713	15,309,207	15,204,862	104,345
Total charges to appropriations	8,379,363	22,025,726	21,436,944	588,782
Budgetary fund balance, June 30	\$ 496,266	\$ 699,994	\$ 1,324,616	\$ 624,622

The notes to the financial statements are an integral part of this statement.

Washington City Corporation
Stormwater Impact Fees

	2001	2002	2003	2004	2005	2006
Fiscal year ended June 30,						
						0

Beginning Cash Balance

Inflows:

Impact fees collected
Interest Earned

203,824
316

Outflows:

Sky View Estates
2000 South Project
240 West Project
3090 South Project
Merrill Road Project

(226,252)
(99,933)
(82,656)
(31,406)
(120,377)

Ending Cash Balance

0	0	0	0	0	0	(356,485)
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Projects included in the fiscal year 2007 budget:

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Power Impact Fees

	2001	Fiscal year ended June 30,			
		2002	2003	2004	2005
Beginning Cash Balance	345,972	234,757	167,937	204,456	1,072,355
Inflows:					
Impact fees collected	102,281	96,367	199,562	867,389	1,093,377
Interest Earned	18,564	5,748	2,977	4,675	32,493
					956,875
					83,110
Outflows:					
100 East Project	(232,060)	(168,935)	(166,020)	(4,165)	(82,299)
2004 Power Project					(1,707,730)
Ending Cash Balance	234,757	167,937	204,456	1,072,355	2,115,926
Projects Included in the fiscal year 2007 budget:					
Sienna Hills South	2,200,000				
	<u>2,200,000</u>				

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Sewer Impact Fees-North

	2001	Fiscal year ended June 30,	2004	2005	2006
Beginning Cash Balance	213,286	2002 349,224	2003 522,863	737,617	1,008,180
Inflows:					
Impact fees collected	115,738	160,530	201,943	277,362	350,073
Interest Earned	20,200	13,110	12,812	12,252	27,050
					62,853
Outflows:					
Trunkline Project				(19,052)	
Sewer Master Plan				(13,342)	(12,534)
Industrial RD					(98,762)
Washington Parkway					
Ending Cash Balance	<u>349,224</u>	<u>522,863</u>	<u>737,617</u>	<u>1,008,180</u>	<u>1,371,960</u>
					<u>1,596,892</u>

Projects included in the fiscal year 2007 budget:

New City Yard	500,000
Industrial Rd Sewer Lines	200,000
300 East Upsizing	225,000
	<u>925,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Sewer Impact Fees-South

	Fiscal year ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance:	90,268	283,228	584,764	1,042,694	1,883,754
Inflows:					
Impact fees collected	309,600	291,734	291,846	640,157	1,012,970
Interest Earned	7,155	9,802	10,119	8,460	28,090
					543,370
					86,610
Outflows:					
Fields Sewer Project	(123,795)		(370,300)	(122,351)	(200,000)
Fields Sewer Outfall					
Meadow View Estates					(21,494)
Ending Cash Balance	283,228	584,764	516,429	1,042,694	1,883,754
					2,492,240

Projects included in the fiscal year 2007 budget:

New City Yard	500,000
3650 South Trunk Line	400,000

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Water Impact Fees

	2001	Fiscal year ended June 30, 2002	2003	2004	2005	2006
Beginning Cash Balance	353,637	706,580	1,100,814	2,094,922	1,224,160	3,426,474
Inflows:						
Impact fees collected	328,684	381,680	969,965	2,256,169	3,249,304	2,225,255
Interest Earned	25,731	22,477	24,844	22,113	59,257	194,986
Outflows:						
2003 Water Project	(1,471)	(9,923)	(701)	(3,149,044)	(790,108)	
3090 South Upsizing					(58,680)	
Washington Parkway					(239,552)	(157,951)
Master Plan					(17,908)	
Treatment Plant Filters						(154,493)
Quail Lake Pipeline						(1,037,249)
Virign River Line						(128,220)
2006 Water Project						(8,396)
Meadow View Estates						(10,467)
Ending Cash Balance	706,580	1,100,814	2,094,922	1,224,160	3,426,474	4,349,939

Projects included in the fiscal year 2007 budget:

New City Yard	1,000,000
Industrial Rd Water Lines	200,000
Sandhollow Booster	275,000
Line Upsizing	300,000
	<u>1,775,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Park & Recreation Impact Fees

	Fiscal year ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	92,790	297,261	542,274	878,907	858,051
					1,152,882
Inflows:					
Impact fees collected	225,000	266,000	334,000	495,000	744,000
Interest Earned	7,916	10,047	11,870	12,280	23,515
					384,000
					54,692
Outflows:					
	(28,445)	(31,034)	(9,237)		
Millcreek Trail				(200,000)	
Pineview Park				(328,136)	(322,684)
Virgin River Trail					(150,000)
					(249,301)

Ending Cash Balance	297,261	542,274	878,907	858,051	1,152,882	1,342,273
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Projects included in the fiscal year 2007 budget:

Green Spring Park	445,000
Washington Fields Park	750,000
	<u>1,195,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Street Impact Fees

	2001	Fiscal year ended June 30, 2002	2003	2004	2005	2006
Beginning Cash Balance	199,693	542,160	864,801	1,309,097	881,575	1,937,308
Inflows:						
Impact fees collected	327,446	354,477	424,097	962,404	1,679,883	991,814
Interest Earned	19,156	18,164	20,199	18,360	32,733	104,453
Outflows:						
(4,135)		(50,000)	0			
Nichols Peak Project				(826,578)	(209,671)	
Washington Parkway				(99,755)	(295,928)	(258,145)
Fields Storm Drain Proj.				(481,953)	(100,000)	
Telegraph					(51,284)	

Ending Cash Balance	542,160	864,801	1,309,097	881,575	1,937,308	2,775,430
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Projects included in the fiscal year 2007 budget:

Washington Fields Phase 2	1,070,000
Washington Dam Rd Ph 2	1,000,000
Industrial Rd	1,000,000
Washington Fields Phase 1	116,500
Green Spring Drive Ext.	1,000,000
	<u>4,186,500</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation
Fire Impact Fees

	Fiscal year ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	26,862	81,743	152,352	170,909	218,182
					336,210
Inflows:					
Impact fees collected	64,900	71,800	84,400	135,750	201,420
Interest Earned	1,981	3,964	2,467	2,595	7,406
					117,700
					15,745
Outflows:					
Station 61/62	(12,000)	(5,155)	(68,310)	(91,072)	(90,798)
					(90,790)
Ending Cash Balance	81,743	152,352	170,909	218,182	336,210
					378,865

Projects included in the fiscal year 2007 budget:

Fire Station #63	75,000
	<u>75,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

WASHINGTON CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Telegraph Road	Swimming Pool	City Offices	Street Improvement	Recreation Facilities	Street Impact Fee
Assets:						
Cash & cash equivalents	\$ -	\$ -	\$ -	\$ 1,753,989	\$ -	\$ 2,775,430
Special assessments receivable						
Other receivables						
Total assets	\$ -	\$ -	\$ -	\$ 1,753,989	\$ -	\$ 2,775,430
Liabilities:						
Cash with negative balances	\$ 520	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue						
Total liabilities	520					
Fund balances:						
Reserved	(520)			1,753,989		2,775,430
Unreserved, undesignated						
Total fund balances	(520)			1,753,989		2,775,430
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 1,753,989	\$ -	\$ 2,775,430

WASHINGTON CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Parks/Recreation Impact	Fire Station Impact	Historic Park	Nisson Park	Trail System	Mile Post - 13 -
Assets:						
Cash & cash equivalents	\$ 1,342,274	\$ 226,073	\$ -	\$ -	\$ 415,772	\$ -
Special assessments receivable						
Other receivables						
Total assets	<u>\$ 1,342,274</u>	<u>\$ 226,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,772</u>	<u>\$ -</u>
Liabilities:						
Cash with negative balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,843
Deferred revenue						
Total liabilities						<u>29,843</u>
Fund balances:						
Reserved	1,342,274	226,073			415,772	(29,843)
Unreserved, undesignated						
Total fund balances	<u>1,342,274</u>	<u>226,073</u>			<u>415,772</u>	<u>(29,843)</u>
Total liabilities and fund balances	<u>\$ 1,342,274</u>	<u>\$ 226,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,772</u>	<u>\$ -</u>

WASHINGTON CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Property Acquisition	General Plan	Cemetery Capital Projects	General Capital Projects	Municipal Building Authority	Special Improvement District
Assets:						
Cash & cash equivalents	\$ 846,855	\$ -	\$ 542,024	\$ 2,236,806	\$ 397,220	\$ -
Special assessments receivable						-
Other receivables					100,395	
Total assets	<u>\$ 846,855</u>	<u>\$ -</u>	<u>\$ 542,024</u>	<u>\$ 2,236,806</u>	<u>\$ 497,614</u>	<u>\$ -</u>
Liabilities:						
Cash with negative balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue						-
Total liabilities						
Fund balances:						
Reserved	846,855		542,024	2,236,806	497,614	
Unreserved, undesignated						
Total fund balances	<u>846,855</u>		<u>542,024</u>	<u>2,236,806</u>	<u>497,614</u>	
Total liabilities and fund balances	<u>\$ 846,855</u>	<u>\$ -</u>	<u>\$ 542,024</u>	<u>\$ 2,236,806</u>	<u>\$ 497,614</u>	<u>\$ -</u>

WASHINGTON CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Total Nonmajor Governmental Funds</u>
Assets:	
Cash & cash equivalents	\$ 10,536,442
Special assessments receivable	
Other receivables	100,395
Total assets	<u>\$ 10,636,837</u>
Liabilities:	
Cash with negative balances	\$ 30,363
Deferred revenue	
Total liabilities	<u>30,363</u>
Fund balances:	
Reserved	10,606,474
Unreserved, undesignated	
Total fund balances	<u>10,606,474</u>
Total liabilities and fund balances	<u>\$ 10,636,837</u>

WASHINGTON CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Telegraph Road	Swimming Pool	City Offices	Street Improvement	Recreation Facilities	Street Impact Fee	Parks Recreation Impact	Fire Station Impact	Historic Park
REVENUES:									
Property taxes, levied for general purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	2,101	20	3	69,837		104,453	54,693	15,745	-
Miscellaneous				55,210		991,814	384,000	117,700	-
Total Revenues	2,101	20	3	125,047		1,096,267	438,693	133,445	
EXPENDITURES:									
Capital outlay	520			2,247,907			26,491		
Debt service:									
Principal retirements									
Interest and fiscal charges									
Total Expenditures	520			2,247,907			26,491		
Excess of Revenues over (under) Expenditures	1,581	20	3	(2,122,859)		1,096,267	412,203	133,445	
OTHER FINANCING SOURCES (USES):									
Operating transfers in	4,581			1,405,896					
Operating transfers out	(111,210)	(3,398)	(514)		(5,897)	(258,145)	(222,810)	(90,790)	(18)
Total Other Financing Sources (Uses)	(106,629)	(3,398)	(514)	1,405,896	(5,897)	(258,145)	(222,810)	(90,790)	(18)
Excess of revenues and other sources over (under) expenditures and other uses	(105,048)	(3,379)	(511)	(716,963)	(5,897)	838,122	189,392	42,656	(18)
FUND BALANCES JULY 1	104,528	3,379	511	2,470,952	5,897	1,937,307	1,152,882	183,417	18
FUND BALANCES JUNE 30	\$ (520)	\$ -	\$ -	\$ 1,753,989	\$ -	\$ 2,775,430	\$ 1,342,274	\$ 226,073	\$ -

WASHINGTON CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Nisson Park	Trail System	Mile Post - 13 -	Property Acquisition	General Plan	Cemetery Capital Projects	General Capital Projects	Municipal Building Authority	Special Improvement District
REVENUES:									
Property taxes, levied for general purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	3	18,464	77,358	33,528		21,511	56,468	36,017	726
Miscellaneous	-	-	111,205			6,500			10,774
Total Revenues	3	18,464	188,564	33,528		28,011	56,468	36,017	11,500
EXPENDITURES:									
Capital outlay									
Debt service:									
Principal retirements		46,115	2,114,690				8,142		
Interest and fiscal charges								234,000	
Total Expenditures		46,115	2,114,690				8,142	83,998	
Excess of Revenues over (under) Expenditures	3	(27,650)	(1,926,126)	33,528		28,011	48,326	(281,981)	11,500
OTHER FINANCING SOURCES (USES):									
Operating transfers in									
Operating transfers out	(486)				46,441	10,800	500,000	305,541	(33,490)
Total Other Financing Sources (Uses)	(486)				46,441	10,800	(146,953)	(37,941)	(33,490)
Excess of revenues and other sources over (under) expenditures and other uses	(483)	(27,650)	(1,926,126)	33,528	46,441	38,811	401,372	(14,382)	(21,990)
FUND BALANCES JULY 1	483	443,422	1,896,283	813,327	(46,441)	503,214	1,835,434	511,996	21,990
FUND BALANCES JUNE 30	\$ -	\$ 415,772	\$ (29,843)	\$ 846,855	\$ -	\$ 542,024	\$ 2,236,806	\$ 497,614	\$ -

WASHINGTON CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Total Nonmajor Governmental Funds
REVENUES:	
Property taxes, levied for general purposes	\$ -
Interest earnings	490,927
Miscellaneous	1,677,204
Total Revenues	<u>2,168,131</u>
EXPENDITURES:	
Capital outlay	4,443,864
Debt service:	
Principal retirements	234,000
Interest and fiscal charges	83,998
Total Expenditures	<u>4,761,863</u>
Excess of Revenues over (under) Expenditures	<u>(2,593,732)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers in	2,273,258
Operating transfers out	(911,652)
Total Other Financing Sources (Uses)	<u>1,361,607</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,232,126)
FUND BALANCES JULY 1	11,838,600
FUND BALANCES JUNE 30	<u>\$ 10,606,474</u>

WASHINGTON CITY
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2006

	<u>Irrigation Fund</u>	<u>Storm Drain Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash & cash equivalents	\$ -	\$ -	\$ 145,663	\$ 145,663
Accounts receivable (net of allowance)		17,083		17,083
Receivable from other governmental entities				-
Total current assets		17,083	145,663	162,745
Long-term assets:				
Deferred charge				-
Construction in progress		234,440		234,440
Capital assets, net of accumulated depreciation	9,735	2,335,757	3,060,705	5,406,197
Total long-term assets	9,735	2,570,196	3,060,705	5,640,637
Total assets	9,735	2,587,279	3,206,368	5,803,382
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Negative cash balance	26,151	\$ 19,214	700,190	745,555
Accounts payable				-
Sales tax payable			5,123	5,123
Accrued interest				-
Payable to other funds				-
Deposits payable				-
Compensated absences payable	1,063	1,421	43,869	46,353
Deferred revenue				-
Capital leases payable within one year			19,774	19,774
Bonds payable within one year				-
Total current liabilities	27,213	20,636	768,956	816,805
Non-current liabilities:				
Capital leases payable within one year			537	537
Bonds payable after one year				-
Total non-current liabilities:	-	-	537	537
Total liabilities	27,213	20,636	769,493	817,342
Net assets:				
Invested in capital assets, net of related debt	9,735	2,570,196	3,040,394	5,620,325
Restricted for:				
Debt service				-
Other purposes				-
Unrestricted	(27,213)	(3,553)	(603,519)	(634,285)
Total net assets	\$ (17,478)	\$ 2,566,644	\$ 2,436,875	\$ 4,986,040

WASHINGTON CITY
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
Year Ended June 30, 2006

	<u>Irrigation Fund</u>	<u>Storm Drain Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 24,829	\$ 164,790	\$ 1,282,664	\$ 1,472,283
Miscellaneous	195	62,029	308	62,532
Total operating revenues	<u>25,024</u>	<u>226,819</u>	<u>1,282,972</u>	<u>1,534,815</u>
Operating expenses:				
Salaries	9,529	31,181	472,358	513,067
Employees benefits	6,483	19,503	91,716	117,702
Utilities			59,372	59,372
Professional services	9,466	93,231	20,303	123,001
Repairs and maintenance		175	15,262	15,437
Lease expense			85,955	85,955
Miscellaneous		1,550	30,259	31,809
Supplies	3,366	3,219	234,691	241,277
Bad debt expense		72		72
Depreciation	458	15,289	160,112	175,859
Total operating expenses	<u>29,302</u>	<u>164,220</u>	<u>1,170,028</u>	<u>1,363,550</u>
Operating income (loss)	<u>(4,278)</u>	<u>62,599</u>	<u>112,944</u>	<u>171,265</u>
Nonoperating income:				
Interest earnings		11,102	16,610	27,711
Impact fees		204,140		204,140
Connection Fees				
Contributions		818,214		818,214
Gain (Loss) on sale of assets			(4,218)	(4,218)
Interest & fiscal charges			(304,083)	(304,083)
Total nonoperating income	<u>-</u>	<u>1,033,455</u>	<u>(291,691)</u>	<u>741,764</u>
Net income (loss) before transfers	<u>(4,278)</u>	<u>1,096,055</u>	<u>(178,747)</u>	<u>913,030</u>
Transfer in	3,820		2,050,000	2,053,820
Transfer out				
Change in net assets	<u>(458)</u>	<u>1,096,055</u>	<u>1,871,253</u>	<u>2,966,850</u>
Net assets - beginning	<u>(17,021)</u>	<u>1,470,589</u>	<u>565,622</u>	<u>2,019,190</u>
Net assets - ending	<u>\$ (17,478)</u>	<u>\$ 2,566,644</u>	<u>\$ 2,436,875</u>	<u>\$ 4,986,040</u>

WASHINGTON CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended June 30, 2006

	Irrigation Fund	Storm Drain Fund	Golf Course Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 25,024	\$ 226,819	\$ 1,282,430	\$ 1,534,273
Cash payments to suppliers for goods and services	(12,833)	(98,250)	(445,842)	(556,925)
Cash payments to employees for services	(14,949)	(48,727)	(568,232)	(631,908)
Net cash provided (used) by operating activities	(2,758)	79,842	268,356	345,440
Cash flows from noncapital financing activities:				
Operating transfers (to) from other funds	3,820		2,050,000	2,053,820
Net cash (used) by noncapital financing activities	3,820	-	2,050,000	2,053,820
Cash flows from capital and related financing activities:				
Cash received from impact and connection fees		204,140		204,140
Other receipts (payments)			(4,218)	(4,218)
Acquisition of capital assets		(560,624)	(144,104)	(704,728)
Interest paid on capital debt			(333,238)	(333,238)
Amounts to other funds			(140,000)	(140,000)
Proceeds from long-term obligations				-
Principal paid on capital lease obligations			(39,814)	(39,814)
Principal paid on capital debt			(1,439,938)	(1,439,938)
Net cash (used) by capital and related activities	-	(356,484)	(2,101,312)	(2,457,796)
Cash flows from investing activities				
Interest received		11,102	16,610	27,712
Net cash (used) by investing activities	-	11,102	16,610	27,712
Net increase in cash and cash equivalents	1,062	(265,540)	233,654	(30,824)
Cash and Cash Equivalents - Beginning	(27,213)	246,326	(788,181)	(569,068)
Cash and Cash Equivalents - Ending	<u>\$ (26,151)</u>	<u>\$ (19,214)</u>	<u>\$ (554,527)</u>	<u>\$ (599,892)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (4,278)	\$ 62,599	\$ 112,944	\$ 171,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	458	15,289	160,112	175,859
Increase decrease accounts receivable				-
Increase decrease in accounts payable			(542)	(542)
Increase decrease in compensated absences	1,062	1,954	(4,158)	(1,142)
Total adjustments	1,520	17,243	155,412	174,175
Net cash provided (used) by operating activities	<u>\$ (2,758)</u>	<u>\$ 79,842</u>	<u>\$ 268,356</u>	<u>\$ 345,440</u>

COMPLIANCE SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable City Council
Washington City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of and for the year ended June 30, 2006, which collectively comprise Washington City, Utah's basic financial statements and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Washington City, Utah in a separate letter dated January 19, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

Washington City, Utah
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audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Washington City, Utah in a separate letter dated January 19, 2007.

This report is intended solely for the information and use of the management of Washington City, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
January 12, 2007

Wilson & Company

Certified Public Accountants / A Professional Corporation

WASHINGTON CITY, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS FOR THE YEAR ENDED June 30, 2006

The Honorable City Council
Washington City, Utah

We have audited the general purpose financial statements of Washington City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated January 12, 2007. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

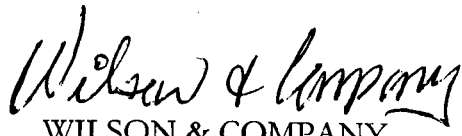
Public Debt	Truth in Taxation
Cash Management	Impact Fees
Purchasing Requirements	B&C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Liquor Law Enforcement	
Other Compliance Requirements	

The management of Washington City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the City's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Washington City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
January 12, 2007

Wilson & Company

Certified Public Accountants / A Professional Corporation

January 19, 2007

Honorable Mayor and City Council
Washington City
Washington, Utah 84780

We have examined the financial statements of Washington City, Utah for the year ended June 30, 2006, and have issued our report thereon dated January 12, 2007. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of Washington City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Washington City taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the city's further attention.

Deficit Fund Balances

We noted that the Irrigation Fund has negative surplus of \$17,478, Telegraph Road Capital Project Fund has a negative surplus of \$520 and Mile Post 13 Capital Project Fund has a negative fund balance of \$29,843 in violation of the Utah Code.

The City should take steps to eliminate these deficits in the next fiscal year as required by law.

SID Assessments Outstanding

We noted during our exam that the Special Improvement Districts have been closed out and cash transferred to the General Fund but that assessment receivable printouts still show some balances owing.

We suggest that efforts be made to collect the remaining balances due including legal action if required.

Cable Franchise Fees

We noted during the exam that Charter Cable only pays their franchise fee once a year.

We suggest that the City insist that the fee be paid monthly like other franchise fees. Doing so would allow the City to invest the funds on a current basis and maximize interest earnings.

Irrigation Fund Operating Loss

We noted that the Irrigation Fund continued to have net operating losses.

We suggest that the City take steps to insure that this fund generates net income by increasing rates or if necessary budgeting a transfer from the General Fund to cover expenses.

Fixed Asset Management System

We noted during our exam that the City's fixed asset management system needed substantial year-end effort to be ready for the requirements of GASB#34.

We recommend that the City update the fixed asset management system throughout the year so that the year-end burdens of accounting for fixed assets can be spread throughout the year.

Washington City

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The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the City's June 30, 2006, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the City operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditor and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Wilson & Company".

WILSON & COMPANY

Certified Public Accountants

Cedar City, Utah

Washington City

Terrill Clove
MAYOR

Roger Carter
CITY MANAGER

Jodie Smith
CITY TREASURER

111 North 100 East
Washington, Utah 84780

Office: (435) 656-6300
FAX (435) 656-6370



January 24, 2007

Wilson and Company
P.O. Box 1110
Cedar City, Utah 84720

Dear Mr. Wilson;

We have received and carefully reviewed your analysis of the City's accounting system and your recommendations for improvement. The following are our comments on how we intend to comply.

Deficit Fund Balances

We have reviewed these accounts and will eliminate the associated deficits and close down these accounts in the upcoming year.

SID Assessments Outstanding

We are reviewing our past due collection policy, on SID assessment, with legal counsel to determine our response to this issue.

Cable Franchise Fees

This is currently a contractual arrangement with the providers of cable services within the community, during the renewal period we will address this issue.

Irrigation Fund Operating Loss

We have reviewed this account and anticipate that we will be addressing some re-structuring of the department within the upcoming year.

Fixed Asset Management

With the hiring of a Finance Supervisor we anticipate that the updating of assets will be occurring on a more regular basis throughout the year.

Sincerely,


Roger Carter
City Manager